



General Assembly

February Session, 2004

***Raised Bill No. 418***

LCO No. 1748

\*01748\_\_\_\_\_INS\*

Referred to Committee on Insurance and Real Estate

Introduced by:  
(INS)

***AN ACT CONCERNING UNIVERSAL HEALTHCARE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1       Section 1. (NEW) (*Effective July 1, 2005*) (a) As used in this section:
- 2       (1) "Board" means the board of directors established in subsection
- 3       (b) of this section.
- 4       (2) "Child" means a natural child, stepchild, adopted child or child
- 5       placed for adoption with a plan enrollee.
- 6       (3) "Dependent" means a spouse, an unmarried child under nineteen
- 7       years of age, a child who is a student under twenty-three years of age
- 8       and is financially dependent upon a plan enrollee or a person of any
- 9       age who is the child of a plan enrollee and is disabled and dependent
- 10      upon that plan enrollee.
- 11      (4) "Nutmeg Health Insurance" means the health insurance product
- 12      established by Nutmeg Health that is offered by a private health
- 13      insurer.
- 14      (5) "Eligible business" means a small employer, as defined in section

15 38a-564 of the general statutes, and includes, but is not limited to, a  
16 municipality that has fifty or fewer employees.

17 (6) "Eligible employee" means an employee of an eligible business  
18 who works at least twenty hours per week for the eligible business.  
19 "Eligible employee" does not include an employee who works on a  
20 temporary or substitute basis or who does not work more than twenty-  
21 six weeks annually.

22 (7) "Eligible individual" means:

23 (A) A self-employed individual: (i) Who works and resides in the  
24 state; (ii) who is organized as a sole proprietorship or in any other  
25 legally recognized manner, and (iii) whose primary source of income  
26 derives from a trade or business through which the individual has  
27 attempted to earn taxable income;

28 (B) An unemployed individual who resides in this state; or

29 (C) An individual employed in an eligible business that does not  
30 offer health insurance.

31 (8) "Employer" means the owner or responsible agent of a business  
32 authorized to sign contracts on behalf of the business.

33 (9) "Executive director" means the Executive Director of Nutmeg  
34 Health.

35 (10) "Health insurer" means:

36 (A) An insurance company licensed to issue health insurance  
37 pursuant to title 38a of the general statutes;

38 (B) A health care center licensed pursuant to title 38a of the general  
39 statutes;

40 (C) A preferred provider network, as defined in section 38a-479aa of  
41 the general statutes, as amended; or

42 (D) A hospital or medical service corporation licensed pursuant to  
43 title 38 of the general statutes.

44 (11) "Health plan in Medicaid" means a managed care organization  
45 that provides services to enrollees under a Medicaid managed care  
46 contract.

47 (12) "Participating employer" means an eligible business that  
48 contracts with Nutmeg Health pursuant to subsection (h) of this  
49 section that has employees enrolled in the Nutmeg Health Insurance  
50 plan.

51 (13) "Person" means a person, as defined in section 38a-1 of the  
52 general statutes, as amended.

53 (14) "Plan enrollee" means an eligible individual or eligible  
54 employee who enrolls in the Nutmeg Health Insurance plan through  
55 Nutmeg Health. "Plan enrollee" includes, but is not limited to, an  
56 eligible employee who is eligible to enroll in Medicaid.

57 (15) "Provider" means any person that provides health care services  
58 and products who is authorized to provide those services and  
59 products under the laws of this state.

60 (16) "Subsidy" means a subsidy as described in subsection (j) of this  
61 section.

62 (17) "Third-party administrator" means any person who, on behalf  
63 of any person who establishes a health insurance plan covering  
64 residents of this state, receives or collects fees, contributions or  
65 premiums for or settles claims on residents in connection with any  
66 type of health benefit provided in, or as an alternative to, insurance,  
67 other than:

68 (A) An employer on behalf of the employer's employees or the  
69 employees of one or more subsidiary or affiliated corporations of the  
70 employer;

71 (B) A union on behalf of its members;

72 (C) A plan sponsor administering its own plan;

73 (D) A nonprofit hospital, medical or health care services plan, health  
74 care center or person in the business of providing continuing care,  
75 possessing a valid certificate of authority issued by the Insurance  
76 Department, and the sole representative of that person, plan,  
77 organization or corporation, if the activities of the plan, organization,  
78 corporation or person are limited to the activities permitted under the  
79 certificate of authority;

80 (E) An insurance producer licensed in this state whose activities are  
81 limited to the scope of that license;

82 (F) An insurance adjuster licensed in this state whose activities are  
83 limited to the adjustment of claims;

84 (G) A creditor on behalf of the creditor's debtors with respect to  
85 insurance covering a debt between the creditor and its debtors;

86 (H) A trust and its trustees, agents, and employees acting pursuant  
87 to a trust established in conformity with 29 USC 186;

88 (I) A trust exempt from taxation under Section 501(a) of the Internal  
89 Revenue Code of 1986, or any subsequent corresponding internal  
90 revenue code of the United States, as from time to time amended, and  
91 the trustees and employees acting pursuant to that trust, or a custodian  
92 and its agents and employees, including individuals representing the  
93 trustees in overseeing the activities of a service company or  
94 administrator, acting pursuant to a custodial account that meets the  
95 requirements of Section 401(f) of said internal revenue code;

96 (J) A financial institution or a mortgage lender that collects and  
97 remits premiums to licensed insurance agents or authorized insurers  
98 concurrently or in connection with mortgage loan payments;

99 (K) A credit card issuing company that advances for and collects  
100 premiums or charges from its credit card holders who have authorized  
101 that collection if the company does not adjust or settle claims;

102 (L) A person who adjusts or settles claims in the normal course of  
103 that person's practice or employment as an attorney and who does not  
104 collect charges or premiums in connection with life or health insurance  
105 coverage;

106 (M) A person acting as a trustee, named fiduciary or plan official of  
107 an employee benefit plan within the meaning of the federal Employee  
108 Retirement Income Security Act of 1974, as amended from time to  
109 time; and

110 (N) A private purchasing group permitted under title 38a of the  
111 general statutes.

112 (18) "Unemployed individual" means an individual who does not  
113 work more than twenty hours a week for any single employer.

114 (b) (1) Nutmeg Health shall be within the Insurance Department for  
115 administrative purposes only and shall be under the management of a  
116 board of directors which shall consist of five voting members and three  
117 ex-officio, nonvoting members. The five voting members shall be  
118 appointed by the Governor, subject to review by the joint standing  
119 committee of the General Assembly having cognizance of matters  
120 relating to insurance and confirmation by the Senate. The three ex-  
121 officio, nonvoting members of the board shall include the Insurance  
122 Commissioner, the Commissioner of Public Health and the Secretary  
123 of the Office of Policy and Management, or their designees. The voting  
124 members of the board shall have knowledge of and experience in one  
125 or more of the following areas: (A) Health care purchasing; (B) health  
126 insurance; (C) Medicaid; (D) health policy and law; (E) state  
127 management and budget; or (F) health care financing. A voting  
128 member of the board may not be a representative or employee of an  
129 insurer authorized to do business in this state, a representative or

130 employee of a provider operating in this state, or affiliated with a  
131 health or health-related organization regulated by the state.

132 (2) A nonpracticing health care practitioner, retired or former health  
133 care administrator or retired or former employee of a health insurer  
134 may be considered for board membership if not currently affiliated  
135 with a health or health-related organization.

136 (3) Voting members shall serve three-year terms and may serve up  
137 to two consecutive terms. Of the members first appointed, one shall  
138 serve an initial term of one year, two shall serve an initial term of two  
139 years and two shall serve an initial term of three years. The Governor  
140 shall fill any vacancy for the unexpired portion of the term in  
141 accordance with subdivisions (1) and (2) of this subsection. A member  
142 whose term expires may continue to serve until a replacement is  
143 appointed.

144 (4) The Governor shall appoint one of the voting members as the  
145 chairperson of the board.

146 (5) Three voting members of the board shall constitute a quorum.

147 (6) An affirmative vote of three voting members shall be required  
148 for any action taken by the board.

149 (7) A member of the board shall be compensated \_\_\_\_.

150 (8) The board shall meet at least quarterly and may also meet at  
151 other times as determined by the chairperson or the Insurance  
152 Commissioner. The board shall constitute a public agency within the  
153 meaning of section 1-200 of the general statutes.

154 (c) A member of the board or an employee of Nutmeg Health shall  
155 not be subject to any personal liability for having acted within the  
156 course and scope of membership or employment to carry out any  
157 power or duty under this section. Nutmeg Health shall indemnify any  
158 member of the board and any employee of Nutmeg Health against

159 expenses actually and necessarily incurred by that member or  
160 employee in connection with the defense of any action or proceeding  
161 in which that member or employee is made a party by reason of past  
162 or present authority with Nutmeg Health.

163 (d) Board members and employees of Nutmeg Health and their  
164 spouses and dependent children may not receive any direct personal  
165 benefit from the activities of Nutmeg Health in assisting any private  
166 entity, except that they may participate in Nutmeg Health Insurance  
167 on the same terms as others may under this section. This section shall  
168 not prohibit corporations or other entities with which board members  
169 are associated by reason of ownership or employment from  
170 participating in activities of Nutmeg Health or receiving services  
171 offered by Nutmeg Health as long as the ownership or employment is  
172 made known to the board and, if applicable, the board members  
173 abstain from voting on matters relating to that participation.

174 (e) Except as provided in subdivisions (1) and (2) of this subsection,  
175 information obtained by Nutmeg Health under this section shall be a  
176 public record, as defined in section 1-200 of the general statutes.

177 (1) Any individually identifiable financial information, supporting  
178 data or tax return obtained by Nutmeg Health under this section shall  
179 be confidential and shall not be subject to disclosure under the  
180 Freedom of Information Act, as defined in section 1-200 of the general  
181 statutes.

182 (2) Health information obtained by Nutmeg Health under this  
183 section that is confidential under chapter 705 of the general statutes or  
184 the Health Insurance Portability and Accountability Act of 1996 (P.L.  
185 104-191 and 104-204) (HIPAA), as amended from time to time, or  
186 regulations adopted pursuant to said act, shall not be subject to  
187 disclosure under the Freedom of Information Act, as defined in section  
188 1-200 of the general statutes.

189 (f) (1) Except as otherwise provided, Nutmeg Health may:

190 (A) Take any legal actions necessary or proper to recover or collect  
191 savings offset payments due Nutmeg Health or that are necessary for  
192 the proper administration of Nutmeg Health;

193 (B) Make and amend bylaws for the administration and regulation  
194 of the activities of Nutmeg Health;

195 (C) Exercise all powers necessary to effect the purposes for which  
196 Nutmeg Health is organized or to further the activities in which  
197 Nutmeg Health may lawfully be engaged, including, but not limited  
198 to, the establishment of Nutmeg Health Insurance;

199 (D) Provide advice to the General Assembly;

200 (E) Take any legal actions necessary to avoid the payment of  
201 improper claims against Nutmeg Health or the coverage provided by  
202 or through Nutmeg Health, to recover any amounts erroneously or  
203 improperly paid by Nutmeg Health, to recover any amounts paid by  
204 Nutmeg Health as a result of error or to recover other amounts due  
205 Nutmeg Health;

206 (F) Enter into contracts with qualified persons for services necessary  
207 to carry out the purposes of this section;

208 (G) Conduct studies and analyses related to the provision of health  
209 care, health care costs and quality;

210 (H) Establish and administer a revolving loan fund to assist  
211 providers in the purchase of hardware and software necessary to  
212 implement the requirements for electronic submission of claims, and  
213 solicit matching contributions to the fund from each health insurer  
214 licensed to do business in this state;

215 (I) Apply for and receive funds, grants or contracts from public and  
216 private sources;

217 (J) Contract with the Department of Public Health, or other



218 organizations with expertise in health care data, including a nonprofit  
219 health data processing entity in this state, to assist the Connecticut  
220 Quality Forum established in section 2 of this act in the performance of  
221 its responsibilities;

222 (K) Provide staff support and other assistance to the Connecticut  
223 Quality Forum established in section 2 of this act, including assigning a  
224 director and other staff as needed to conduct the work of the  
225 Connecticut Quality Forum; and

226 (L) Cause any of its powers or duties to be carried out by one or  
227 more organizations organized, created or operated under the laws of  
228 this state.

229 (2) Nutmeg Health shall:

230 (A) Establish administrative and accounting procedures as  
231 recommended by the State Comptroller for the operation of Nutmeg  
232 Health;

233 (B) Collect the savings offset payments pursuant to subsection (k) of  
234 this section;

235 (C) Determine the comprehensive services and benefits to be  
236 included in Nutmeg Health Insurance and develop the specifications  
237 for Nutmeg Health Insurance in accordance with the provisions in  
238 subsection (h) of this section. Not later than thirty days after making a  
239 determination of the benefit package to be offered through Nutmeg  
240 Health Insurance, the board shall report on the benefit package,  
241 including the estimated premium and applicable coinsurance,  
242 deductibles, copayments and out-of-pocket maximums, to the joint  
243 standing committees of the General Assembly having cognizance of  
244 matters relating to insurance, public health and appropriations;

245 (D) Establish and implement a program to publicize the existence of  
246 Nutmeg Health Insurance and the eligibility requirements and the  
247 enrollment procedures for Nutmeg Health Insurance;

248 (E) Arrange the provision of Nutmeg Health Insurance benefit  
249 coverage to eligible individuals and eligible employees through  
250 contracts with one or more qualified bidders;

251 (F) Establish a high-risk pool for plan enrollees in Nutmeg Health  
252 Insurance in accordance with this section; and

253 (G) Establish and operate the Connecticut Quality Forum in  
254 accordance with section 2 of this act.

255 (3) The Nutmeg Health shall be a budgeted agency pursuant to  
256 chapter 50 of the general statutes.

257 (4) On or before December thirty-first of each year the Auditors of  
258 Public Accounts shall audit the records of the fund and shall provide  
259 an audited financial report to the board, the Insurance Commissioner,  
260 the State Treasurer and the General Assembly.

261 (5) The Insurance Commissioner may adopt regulations, after  
262 consultation with the board and in accordance with chapter 54 of the  
263 general statutes, to implement this section.

264 (6) Not later than \_\_\_\_ and annually thereafter, the board shall  
265 report on the impact of Nutmeg Health on the small employer and  
266 individual health insurance markets in this state and any reduction in  
267 the number of uninsured individuals in the state. The board shall also  
268 report on membership in Nutmeg Health, the administrative expenses  
269 of Nutmeg Health, the extent of coverage, the effect on premiums, the  
270 number of covered lives, the number of Nutmeg Health Insurance  
271 policies issued or renewed and Nutmeg Health Insurance premiums  
272 earned and claims incurred by health insurers offering Nutmeg Health  
273 Insurance. The board shall submit the report to the Governor and the  
274 joint standing committees of the General Assembly having cognizance  
275 of matters relating to insurance, human services and appropriations.

276 (7) Other state agencies shall provide technical assistance and  
277 expertise to Nutmeg Health upon request.

278 (8) The Attorney General, when requested, shall provide any legal  
279 assistance, counsel or advice Nutmeg Health requires in the discharge  
280 of its duties.

281 (9) Nutmeg Health shall institute a system to coordinate the  
282 activities of Nutmeg Health with federal, state and local health care  
283 programs.

284 (10) Upon request from the board, the Insurance Commissioner  
285 shall provide staffing assistance to Nutmeg Health.

286 (11) Nutmeg Health may appoint advisory committees for advice  
287 and assistance, except that members of such advisory committee shall  
288 serve without compensation but may be reimbursed by Nutmeg  
289 Health for necessary expenses while on official business of the  
290 advisory committee.

291 (12) The executive director shall be appointed by the board and shall  
292 serve at the pleasure of the board. The executive director shall:

293 (A) Serve as the liaison between the board of directors and Nutmeg  
294 Health and serve as secretary and treasurer to the board;

295 (B) Manage Nutmeg Health's programs and services, including the  
296 Connecticut Quality Forum established in section 2 of this act;

297 (C) Employ or contract on behalf of Nutmeg Health for professional  
298 and nonprofessional personnel who shall be classified employees,  
299 except that the director of the Connecticut Quality Forum shall be  
300 exempt from classified service;

301 (D) Approve all accounts for salaries, per diems, allowable expenses  
302 of Nutmeg Health or of any employee or consultant and expenses  
303 incidental to the operation of Nutmeg Health; and

304 (E) Perform other duties prescribed by the board to carry out the  
305 functions of this section.

306 (h) (1) Nutmeg Health shall arrange for the provision of health  
307 benefits coverage through Nutmeg Health Insurance not later than  
308 October 1, 2005. Nutmeg Health Insurance shall comply with all  
309 applicable requirements of title 38a of the general statutes. Nutmeg  
310 Health Insurance may be offered by health insurers that apply to the  
311 board and meet qualifications described in this section and any  
312 additional qualifications set by the board.

313 (2) If health insurers do not apply to offer and deliver Nutmeg  
314 Health Insurance, the board may have Nutmeg Health provide access  
315 to health insurance by proposing the establishment of a managed care  
316 organization pursuant to title 38a of the general statutes, or by  
317 proposing the expansion of an existing plan. If the board proposes the  
318 establishment of an organization or the expansion of an existing plan,  
319 the board shall submit its proposal, including, but not limited to, a  
320 funding mechanism for the organization or plan and any  
321 recommended legislation to the joint standing committees of the  
322 General Assembly having cognizance of matters relating to insurance  
323 and appropriations. Nutmeg Health may not provide access to health  
324 insurance by establishing a managed care organization or through an  
325 existing plan without specific legislative approval.

326 (3) To qualify as a health insurer of Nutmeg Health Insurance, a  
327 health insurer shall:

328 (A) Provide the comprehensive health services and benefits as  
329 determined by the board, including a standard benefit package that  
330 meets the requirements for mandated coverage provided in chapter  
331 700c of the general statutes, and any supplemental benefits the board  
332 wishes to make available; and

333 (B) Ensure that:

334 (i) Providers contracting with a health insurer contracted to provide  
335 coverage to plan enrollees do not charge plan enrollees or other  
336 persons for covered health care services in excess of the amount

337 allowed by the insurer the provider has contracted with, except for  
338 applicable copayments, deductibles or coinsurance;

339 (ii) Providers contracting with a health insurer contracted to provide  
340 coverage to plan enrollees do not refuse to provide services to a plan  
341 enrollee on the basis of health status, medical condition, previous  
342 insurance status, race, color, creed, age, national origin, citizenship  
343 status, gender, sexual orientation, disability or marital status, except  
344 that no provider shall be required to provide medical services that are  
345 not within the scope of that provider's license; and

346 (iii) Providers contracting with a health insurer contracted to  
347 provide coverage to plan enrollees are reimbursed at the negotiated  
348 reimbursement rates between the insurer and its provider network.

349 (4) Health insurers that seek to qualify to provide Nutmeg Health  
350 Insurance shall also qualify as health plans in Medicaid.

351 (5) Nutmeg Health may contract with health insurers licensed to sell  
352 health insurance in this state or other private or public third-party  
353 administrators to provide Nutmeg Health Insurance. Nutmeg Health:

354 (A) Shall issue requests for proposals from health insurers;

355 (B) May include quality improvement, disease prevention, disease  
356 management and cost-containment provisions in the contracts with  
357 participating health insurers or may arrange for the provision of such  
358 services through contracts with other entities;

359 (C) Shall require participating health insurers to offer a benefit plan  
360 identical to Nutmeg Health Insurance, for which no Nutmeg Health  
361 subsidies are available, in the small employer health insurance market;

362 (D) Shall make payments to participating health insurers under a  
363 Nutmeg Health Insurance contract to provide Nutmeg Health  
364 Insurance benefits to plan enrollees not enrolled in Medicaid;

365 (E) May set allowable rates for administration and underwriting  
366 gains for Nutmeg Health Insurance;

367 (F) May administer continuation benefits for eligible individuals  
368 from employers with twenty or more employees who have purchased  
369 health insurance coverage through Nutmeg Health for the duration of  
370 their eligibility periods for continuation benefits pursuant to the  
371 federal Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L.  
372 99-272), as amended from time to time, (COBRA);

373 (G) May administer or contract to administer plans pursuant to  
374 Section 125 of the Internal Revenue Code of 1986, or any subsequent  
375 corresponding internal revenue code of the United States, as from time  
376 to time amended, for employers and employees participating in  
377 Nutmeg Health, including medical expense reimbursement accounts  
378 and dependent care reimbursement accounts.

379 (H) Shall contract with eligible businesses seeking assistance from  
380 Nutmeg Health in arranging for health benefits coverage by Nutmeg  
381 Health Insurance for their employees and dependents as set forth in  
382 this subparagraph. Nutmeg Health may establish contract and other  
383 reporting forms and procedures necessary for the efficient  
384 administration of contracts. Nutmeg Health shall collect payments  
385 from participating employers and plan enrollees to cover the cost of (i)  
386 Nutmeg Health Insurance for enrolled employees and dependents in  
387 contribution amounts determined by the board; (ii) Nutmeg Health's  
388 quality assurance, disease prevention, disease management and cost-  
389 containment programs; (iii) Nutmeg Health's administrative services;  
390 and (iv) other health promotion costs.

391 (I) Shall establish the minimum required contribution levels, not to  
392 exceed sixty per cent, to be paid by employers toward the aggregate  
393 payment and establish an equivalent minimum amount to be paid by  
394 employers or plan enrollees and their dependents who are enrolled in  
395 Medicaid. The minimum required contribution level to be paid by  
396 employers shall be prorated for employees who work less than the

397 number of hours of a full-time equivalent employee as determined by  
398 the employer. Nutmeg Health may establish a separate minimum  
399 contribution level to be paid by employers toward coverage for  
400 dependents of the employers' enrolled employees.

401 (J) Shall require participating employers to certify that at least  
402 seventy-five per cent of their employees that work thirty hours or more  
403 per week and who do not have other creditable coverage are enrolled  
404 in Nutmeg Health Insurance and that the employer group otherwise  
405 meets any minimum participation requirements in part V of chapter  
406 700c of the general statutes.

407 (K) Shall reduce the payment amounts for plan enrollees eligible for  
408 a subsidy under subsection (j) of this section accordingly. Nutmeg  
409 Health shall return any payments made by plan enrollees also enrolled  
410 in Medicaid to those enrollees.

411 (L) Shall require participating employers to pass on any subsidy in  
412 subsection (j) of this section to the plan enrollee qualifying for the  
413 subsidy up to the amount of payments made by the plan enrollee.

414 (M) May establish other criteria for participation.

415 (N) May limit the number of participating employers.

416 (O) May permit eligible individuals to purchase Nutmeg Health  
417 Insurance for themselves and their dependents as set forth in this  
418 section.

419 (P) May establish contract and other reporting forms and  
420 procedures necessary for the efficient administration of contracts.

421 (Q) May collect payments from eligible individuals participating in  
422 Nutmeg Health Insurance to cover the cost of: (i) Enrollment in  
423 Nutmeg Health Insurance for eligible individuals and dependents; (ii)  
424 Nutmeg Health's quality assurance, disease prevention, disease  
425 management and cost-containment programs; (iii) Nutmeg Health's

426 administrative services; and (iv) other health promotion costs.

427 (R) Shall reduce the payment amounts for individuals eligible for a  
428 subsidy under subsection (j) of this section accordingly.

429 (S) May require that eligible individuals certify that all their  
430 dependents are enrolled in Nutmeg Health Insurance or are covered  
431 by another creditable plan.

432 (T) May require an eligible individual who is currently employed by  
433 an eligible employer that does not offer health insurance to certify that  
434 the current employer did not provide access to an employer-sponsored  
435 benefits plan in the twelve-month period immediately preceding the  
436 eligible individual's application.

437 (U) May limit the number of plan enrollees.

438 (V) May establish other criteria for participation.

439 (W) Shall perform, at a minimum, the following functions to  
440 facilitate enrollment in Nutmeg Health Insurance: (i) Publicize the  
441 availability of Nutmeg Health Insurance to businesses, self-employed  
442 individuals and others eligible to enroll in Nutmeg Health Insurance;  
443 (ii) screen all eligible individuals and employees for eligibility for  
444 subsidies under subsection (k) of this section and eligibility for  
445 Medicaid, (iii) provide a single application form for Nutmeg Health  
446 and Medicaid and design application materials to (I) inform applicants  
447 of subsidies available through Nutmeg Health and of the additional  
448 coverage available through Medicaid, (II) allow an applicant to choose  
449 on the application form to apply or not to apply for Medicaid or for a  
450 subsidy, and (III) allow an applicant to provide household financial  
451 information necessary to determine eligibility for Medicaid or a  
452 subsidy.

453 (X) Shall establish an effective date, except as provided in this  
454 subdivision, for a new enrollee in Nutmeg Health Insurance that is the  
455 first day of the month following receipt of the fully completed



456 application for that enrollee by the insurer contracting with Nutmeg  
457 Health or the first day of the next month if the fully completed  
458 application is received by the insurer within ten calendar days of the  
459 end of the month. If a new enrollee in Nutmeg Health Insurance had  
460 prior coverage through an individual or small employer policy,  
461 coverage under Nutmeg Health Insurance shall take effect the day  
462 following termination of that enrollee's prior coverage.

463 (Y) Shall promote quality improvement, disease prevention, disease  
464 management and cost-containment programs as part of its  
465 administration of Nutmeg Health Insurance.

466 (6) Except when the applicant has declined to apply for Medicaid or  
467 a subsidy, an application shall be treated as an application for Nutmeg  
468 Health, for a subsidy and for Medicaid. The Department of Social  
469 Services shall make the final determination of eligibility for Medicaid,  
470 shall retain responsibility for the financing and administration of  
471 Medicaid and shall pay for Medicaid benefits for Medicaid-eligible  
472 individuals, including those enrolled in health plans in Medicaid that  
473 are providing coverage under Nutmeg Health Insurance.

474 (j) (1) Nutmeg Health may establish sliding-scale subsidies for the  
475 purchase of Nutmeg Health Insurance paid by individuals or  
476 employees whose income is under three hundred per cent of the  
477 federal poverty level and who are not eligible for Medicaid. Nutmeg  
478 Health may also establish sliding-scale subsidies for the purchase of  
479 employer-sponsored health coverage paid by employees of businesses  
480 with more than fifty employees, whose income is under three hundred  
481 per cent of the federal poverty level and who are not eligible for  
482 Medicaid. In order to be eligible for a subsidy, an individual shall:

483 (A) Have an income under three hundred per cent of the federal  
484 poverty level, be a resident of the state, be ineligible for Medicaid  
485 coverage and be enrolled in Nutmeg Health Insurance; or

486 (B) Be enrolled in a health plan of an employer with more than fifty

487 employees provided the health plan meets any criteria established by  
488 Nutmeg Health and the individual meets other eligibility criteria  
489 established by Nutmeg Health.

490 (2) Nutmeg Health shall limit the availability of subsidies to reflect  
491 limitations of available funds.

492 (3) Nutmeg Health may limit the amount subsidized of the payment  
493 made by individual plan enrollees under subsection (h) of this section,  
494 to forty per cent of the payment to more closely parallel the subsidy  
495 received by employees. In no event may the subsidy granted to eligible  
496 individuals exceed the maximum subsidy level available to other  
497 eligible individuals.

498 (4) Nutmeg Health shall notify applicants and their employers in  
499 writing of their eligibility and approved level of subsidy.

500 (5) Not later than thirty days after any subsidies are established  
501 pursuant to this section, the board shall report on the amount of the  
502 subsidies, the funding required for the subsidies and the estimated  
503 number of Nutmeg Health enrollees eligible for the subsidies and  
504 submit the report to the joint standing committees of the General  
505 Assembly having cognizance of matters relating to insurance,  
506 appropriations and social services.

507 (k) (1) After an opportunity for a hearing, the board shall determine  
508 annually not later than April first the aggregate measurable cost  
509 savings, including any reduction or avoidance of bad debt and charity  
510 care costs to providers in this state as a result of the operation of  
511 Nutmeg Health and any increased enrollment due to an expansion in  
512 Medicaid eligibility occurring in the prior calendar year.

513 (2) For the purpose of providing the funds necessary to provide  
514 subsidies pursuant to subsection (j) of this section and support the  
515 Connecticut Quality Forum established in section 2 of this act, the  
516 board shall establish a savings offset amount to be paid by health

517 insurers, employee benefit excess insurance carriers and third-party  
518 administrators, not including carriers and third-party administrators  
519 with respect to accidental injury, specified disease, hospital indemnity,  
520 dental, vision, disability, income, long-term care, Medicare supplement  
521 or other limited benefit health insurance, annually at a rate that may  
522 not exceed savings resulting from decreasing rates of growth in the  
523 state's health care spending and in bad debt and charity care costs.  
524 Payment of the savings offset amount shall begin twelve months after  
525 Nutmeg Health begins providing health insurance coverage. The  
526 savings offset payment amount, as determined by the board, is the  
527 determining factor for inclusion of savings offset payments in  
528 premiums through rate setting review by the bureau. Savings offset  
529 payments shall be made quarterly and are due not less than thirty days  
530 after written notice to the health insurers, employee benefit excess  
531 insurance carriers and third-party administrators and shall accrue  
532 interest at twelve per cent per annum on or after the due date.

533 (3) Each health insurer and employee benefit excess insurance  
534 carrier shall pay a savings offset in an amount not to exceed four per  
535 cent of annual health insurance premiums and employee benefit excess  
536 insurance premiums on policies issued pursuant to the laws of this  
537 state that insure residents of this state. The savings offset payment may  
538 not exceed savings resulting from decreasing rates of growth in the  
539 state's health care spending and bad debt and charity care costs. The  
540 savings offset payment shall apply to premiums paid on or after \_\_\_\_.  
541 Savings offset payments shall reflect aggregate measurable cost  
542 savings, including any reduction or avoidance of bad debt and charity  
543 care costs to providers in this state, as a result of the operation of  
544 Nutmeg Health and any increased enrollment due to an expansion in  
545 Medicaid eligibility occurring after \_\_\_\_, as determined by the board  
546 consistent with subdivision (1) of this subsection. A health insurer and  
547 employee benefit excess insurance carrier may not be required to pay a  
548 savings offset payment on policies or contracts insuring federal  
549 employees.

550       (4) The board shall make reasonable efforts to ensure that premium  
551 revenue, or claims plus any administrative expenses and fees with  
552 respect to third-party administrators, is counted only once with respect  
553 to any savings offset payment and shall require each health insurer to  
554 include in its premium revenue gross of reinsurance ceded. The board  
555 shall allow a health insurer to exclude from its gross premium revenue  
556 reinsurance premiums that have been counted by the primary insurer  
557 for the purpose of determining its savings offset payment under this  
558 subsection. The board shall allow each employee benefit excess  
559 insurance carrier to exclude from its gross premium revenue the  
560 amount of claims that have been counted by a third-party  
561 administrator for the purpose of determining its savings offset  
562 payment under this subsection. The board may verify each health  
563 insurer, employee benefit excess insurance carrier and third-party  
564 administrator's savings offset payment based on annual statements  
565 and other reports determined to be necessary by the board.

566       (5) The Insurance Commissioner may suspend or revoke, after  
567 notice and hearing, the certificate of authority to transact insurance in  
568 this state of any health insurer or employee benefit excess insurance  
569 carrier or the license of any third-party administrator to operate in this  
570 state, if applicable, that fails to pay a savings offset payment. The  
571 Insurance Commissioner may take any enforcement action authorized  
572 under 38a of the general statutes to collect any unpaid savings offset  
573 payments. Any health insurer or employee benefit excess insurance  
574 carrier or third-party administrator that fails to pay a savings offset  
575 payment shall be subject to a fine of \_\_\_\_ dollars.

576       (6) On an annual basis not later than April first of each year, the  
577 board shall prospectively determine the savings offset to be applied  
578 during each twelve-month period. To make its determination, the  
579 board shall use the criteria and reports described in subdivisions (7)  
580 and (8) of this subsection. Annual offset payments shall be reconciled  
581 to determine whether unused payments may be returned to health  
582 insurers, employee benefit excess insurance carriers and third-party

583 administrators according to a formula developed by the board. Savings  
584 offset payments shall be used solely to fund the subsidies authorized  
585 by subsection (j) of this section and to support the Connecticut Quality  
586 Forum established in section 2 of this act and may not exceed savings  
587 from reductions in growth of the state's health care spending and bad  
588 debt and charity care.

589 (7) (A) In accordance with the requirements of this subsection, every  
590 health insurer and provider shall demonstrate that best efforts have  
591 been made to ensure that a health insurer has recovered savings offset  
592 payments made pursuant to this section through negotiated  
593 reimbursement rates that reflect providers' reductions or stabilization  
594 in the cost of bad debt and charity care as a result of the operation of  
595 Nutmeg Health and any increased enrollment due to an expansion in  
596 Medicaid eligibility occurring after \_\_\_\_\_. A health insurer shall use  
597 best efforts to ensure health insurance premiums reflect any such  
598 recovery of savings offset payments as those savings offset payments  
599 are reflected through incurred claims experience.

600 (B) During any negotiation with a health insurer relating to a  
601 provider's reimbursement agreement with the insurer, a provider shall  
602 provide data relating to any reduction or avoidance of bad debt and  
603 charity care costs to providers in this state, as a result of the operation  
604 of Nutmeg Health and as a result of any increased enrollment due to  
605 an expansion in Medicaid eligibility occurring after \_\_\_\_\_.

606 (8) The following reports are required in accordance with this  
607 subsection:

608 (A) On a quarterly basis beginning with the first quarter after  
609 Nutmeg Health Insurance begins offering coverage, the board shall  
610 collect and report on the following:

611 (i) The total enrollment in Nutmeg Health Insurance, including the  
612 number of enrollees previously underinsured or uninsured, the  
613 number of enrollees previously insured, the number of individual

614 enrollees and the number of enrollees enrolled through small  
615 employers;

616 (ii) The total number of enrollees covered in health plans through  
617 large employers and self-insured employers;

618 (iii) The number of employers, both small employers and large  
619 employers, who have ceased offering health insurance or contributing  
620 to the cost of health insurance for employees or who have begun  
621 offering coverage on a self-insured basis;

622 (iv) The number of employers, both small employers and large  
623 employers, who have begun to offer health insurance or contribute to  
624 the cost of health insurance premiums for their employees;

625 (v) The number of new participating employers in Nutmeg Health  
626 Insurance;

627 (vi) The number of employers ceasing to offer coverage through  
628 Nutmeg Health Insurance;

629 (vii) The duration of employer participation in Nutmeg Health  
630 Insurance; and

631 (viii) A comparison of actual enrollees in Nutmeg Health Insurance  
632 to the projected enrollees.

633 (B) The board shall establish the total health care spending in the  
634 state for the base year of 2002 and shall annually determine, after  
635 consultation with the Insurance Commissioner, appropriate actuarially  
636 supported trend factors that reflect savings and compare rates of  
637 spending growth to the base year of 2002. The board shall collect on an  
638 annual basis, after consultation with the Insurance Commissioner, the  
639 total cost to the state's providers of bad debt and charity care  
640 beginning with the base year of 2002. The information required in this  
641 subparagraph may be compiled through mechanisms, including, but  
642 not limited to, standard reporting or statistically accurate surveys of

643 providers and practitioners. The board shall utilize existing data on file  
644 with state agencies or other organizations to minimize duplication. The  
645 comparisons to the base year shall be reported beginning March 1,  
646 \_\_\_\_, and annually thereafter.

647 (C) Health insurers and providers shall report beginning March 1,  
648 \_\_\_\_, and annually thereafter, information regarding the experience of  
649 the prior twelve-month period on the efforts undertaken by the insurer  
650 and provider to recover savings offset payments, as reflected in  
651 reimbursement rates, through a reduction or stabilization in bad debt  
652 and charity care costs as a result of the operation of Nutmeg Health  
653 and any increased enrollment due to an expansion in Medicaid  
654 eligibility occurring after \_\_\_\_\_. The board shall determine the  
655 appropriate format for the report and utilize existing data on file with  
656 state agencies or other organizations to minimize duplication. The  
657 report shall be submitted to the board. Using the information  
658 submitted by insurers and providers, the board shall submit a  
659 summary of that information by October 1, \_\_\_\_, and annually  
660 thereafter.

661 (D) The quarterly reports required to be submitted by the board  
662 pursuant to subparagraph (A) of this subdivision and the annual  
663 reports required to be submitted by the board pursuant to  
664 subparagraphs (B) and (C) of this subdivision shall be submitted to the  
665 Insurance Commissioner and the joint standing committees of the  
666 General Assembly having cognizance of matters relating to insurance,  
667 human services and appropriations.

668 (9) The claims experience used to determine any filed premiums or  
669 rating formula shall reasonably reflect, in accordance with accepted  
670 actuarial standards, known changes and offsets in payments by the  
671 insurer to providers in this state, including any reduction or avoidance  
672 of bad debt and charity care costs to providers in this state as a result  
673 of the operation of Nutmeg Health and any increased enrollment due  
674 to an expansion in Medicaid eligibility occurring after June 30, \_\_\_\_, as

675 determined by the board consistent with this section.

676 (l) Beginning July 1, \_\_\_\_, Nutmeg Health shall transfer funds, as  
677 necessary, to a special dedicated, nonlapsing revenue account  
678 administered by the Department of Social Services for the purpose of  
679 providing a state match for federal Medicaid dollars. Nutmeg Health  
680 shall annually set the amount of contribution. The transfer may not  
681 include money collected as a savings payment offset pursuant to this  
682 section.

683 (m) There is established a Universal Health Fund for the purpose of  
684 providing health care pursuant to this section. The fund shall be liable  
685 only for (A) expenditures authorized by the board pursuant to this  
686 section, and (B) reasonable and necessary expenses incurred in  
687 implementation of this section and the fund's administrative expenses.  
688 The fund may contain any moneys required by law to be deposited in  
689 the fund and shall be held by the State Treasurer separate and apart  
690 from all other moneys, funds and accounts. The interest derived from  
691 the investment of the fund shall be credited to the fund. Amounts in  
692 the fund may be expended only pursuant to the direction of the board  
693 or commissioner in accordance with this section. Any balance  
694 remaining in the fund at the end of any fiscal year shall be carried  
695 forward in the fund for the fiscal year next succeeding.

696 (n) (1) Nutmeg Health shall establish the Nutmeg Health High-Risk  
697 Pool for plan enrollees in accordance with this section. A plan enrollee  
698 shall be included in the high-risk pool if:

699 (A) The total cost of health care services for the enrollee exceeds one  
700 hundred thousand dollars in any twelve-month period; or

701 (B) The enrollee has been diagnosed with one or more of the  
702 following conditions: Acquired immune deficiency syndrome  
703 (HIV/AIDS), angina pectoris, cirrhosis of the liver, coronary occlusion,  
704 cystic fibrosis, Friedreich's ataxia, hemophilia, Hodgkin's disease,  
705 Huntington's chorea, juvenile diabetes, leukemia, metastatic cancer,



706 motor or sensory aphasia, multiple sclerosis, muscular dystrophy,  
707 myasthenia gravis, myotonia, heart disease requiring open-heart  
708 surgery, Parkinson's disease, polycystic kidney disease, psychotic  
709 disorders, quadriplegia, stroke, syringomyelia and Wilson's disease.

710 (2) Nutmeg Health shall develop appropriate disease management  
711 protocols, develop procedures for implementing those protocols and  
712 determine the manner in which disease management shall be provided  
713 to plan enrollees in the high-risk pool. Nutmeg Health may include  
714 disease management in its contract with participating insurers for  
715 Nutmeg Health Insurance pursuant to subsection (h) of this section,  
716 contract separately with another entity for disease management  
717 services or provide disease management services directly through  
718 Nutmeg Health.

719 (3) Nutmeg Health shall submit a report, not later than January 1,  
720 \_\_\_\_, outlining the disease management protocols, procedures and  
721 delivery mechanisms used to provide services to plan enrollees. The  
722 report shall also include the number of plan enrollees in the high-risk  
723 pool, the types of diagnoses managed within the high-risk pool, the  
724 claims experience within the high-risk pool and the number and type  
725 of claims exceeding one hundred thousand dollars for enrollees in the  
726 high-risk pool and for all enrollees in Nutmeg Health Insurance. The  
727 report shall be submitted to the joint standing committee of the  
728 General Assembly having cognizance of matters relating to insurance.

729 (4) After three years of operation, but not later than October 1, \_\_\_\_,  
730 Nutmeg Health shall evaluate the impact of Nutmeg Health on  
731 average premium rates in this state and on the rate of uninsured  
732 individuals in this state and compare the trends in those rates to the  
733 trends in the average premium rates and average rates of uninsured  
734 individuals for the states that have established a state-wide high-risk  
735 pool as of July 1, 2003. The board shall submit the evaluation of the  
736 impact of Nutmeg Health in this state in comparison to states with  
737 high-risk pools to the joint standing committee of the General

738 Assembly having cognizance of matters relating to insurance by  
739 January 1, 2008. If the trend in average premium rates in this state and  
740 rate of uninsured individuals exceed the trend for the average among  
741 the states with high-risk pools, the board may recommend to the  
742 General Assembly that a state-wide high-risk pool be established in  
743 this state consistent with the characteristics of high-risk pools  
744 operating in other states.

745 (o) Any report submitted to the General Assembly pursuant to this  
746 section shall be submitted in accordance with section 11-4a of the  
747 general statutes.

748 Sec. 2. (NEW) (*Effective July 1, 2005*) There is established a  
749 Connecticut Quality Forum within Nutmeg Health. The forum shall be  
750 governed by the board with advice from the Connecticut Quality  
751 Forum Advisory Council pursuant to section 3 of this act. The forum  
752 shall be funded, at least in part, through savings offset payments.  
753 Except as provided in section 1 of this act, information obtained by the  
754 forum shall be a public record, as defined in section 1-200 of the  
755 general statutes. The forum shall:

756 (1) Collect and disseminate research regarding health care quality,  
757 evidence-based medicine and patient safety to promote best practices.

758 (2) Adopt a set of measures to evaluate and compare health care  
759 quality and provider performance. The measures shall be adopted  
760 with guidance from the advisory council. The quality measures  
761 adopted by the forum shall be the basis for the regulations for the  
762 collection of quality data.

763 (3) Coordinate the collection of health care quality data in this state.  
764 The forum shall work with the Department of Public Health and other  
765 entities that collect health care data to minimize duplication and to  
766 minimize the burden on providers of data.

767 (4) Work collaboratively with the Department of Public Health,

768 providers, health insurers and others to report in useable formats  
769 comparative health care quality information to consumers, purchasers,  
770 providers, insurers and policy makers. The forum shall produce  
771 annual quality reports.

772 (5) Conduct education campaigns to help health care consumers  
773 make informed decisions and engage in healthy lifestyles.

774 (6) Conduct technology assessment reviews to guide the use and  
775 distribution of new technologies in this state. The forum shall make  
776 recommendations to the certificate of need program operated by the  
777 Office of Health Care Access.

778 (7) Encourage the adoption of electronic technology and assist  
779 health care practitioners to implement electronic systems for medical  
780 records and submission of claims. The assistance may include, but is  
781 not limited to, practitioner education, identification or establishment of  
782 low-interest financing options for hardware and software and system  
783 implementation support.

784 (8) Make an annual report to the public. The forum shall submit the  
785 report to joint standing committees of the General Assembly having  
786 cognizance of matters relating to insurance, human services and  
787 appropriations in accordance with section 11-4a of the general statutes.

788 Sec. 3. (NEW) (*Effective July 1, 2005*) (a) There is established a  
789 Connecticut Quality Forum Advisory Council to advise the forum  
790 which shall consist of seventeen members. Except as provided in  
791 section 1 of this act, records of the council shall be public records, as  
792 defined in section 1-200 of the general statutes.

793 (b) The Governor shall appoint the following members to the  
794 council:

795 (A) Seven members representing providers, including three  
796 physicians, one registered nurse, one representative of hospitals, one  
797 mental health provider and one health care practitioner who is not a

798 physician. The three physician members shall include representation of  
799 allopathic physicians, osteopathic physicians, primary care physicians  
800 and specialist physicians;

801 (B) Four members representing consumers, including one employee  
802 who receives health care through a commercially insured product, one  
803 representative of organized labor, one representative of a consumer  
804 health advocacy group and one representative of the uninsured or  
805 Medicaid recipients;

806 (C) Four members representing employers, including the State  
807 Comptroller, or the comptroller's designee, one representative of a  
808 private employer with more than one thousand full-time equivalent  
809 employees, one representative of a private employer with fifty to one  
810 thousand full-time employees and one representative of a private  
811 employer with fewer than fifty employees;

812 (D) One representative of a private health insurance plan; and

813 (E) The Commissioner of Social Services, or the commissioner's  
814 designee.

815 (c) Prior to making appointments to the advisory council, the  
816 Governor shall seek nominations from the public and from a state-  
817 wide allopathic association, a state-wide osteopathic association, a  
818 state-wide hospital association, a state-wide nurses association, a state-  
819 wide health purchasing collaborative, a state-wide health management  
820 coalition, organized labor, a state-wide organization representing  
821 consumers advocating for affordable health care, a state-wide  
822 association representing consumers of mental health services, a  
823 national association of retired persons, a state-wide citizen action  
824 organization, a state-wide organization advocating equal justice, a  
825 state-wide organization representing local chambers of commerce, a  
826 state-wide organization representing businesses for social  
827 responsibility, a state-wide small business alliance, a national  
828 federation of independent businesses, a state-wide association of

829 health plans and other entities as appropriate.

830 (d) Members of the advisory council shall serve five-year terms  
831 except for initial appointments. Of the members first appointed to the  
832 council, five shall be appointed to three-year terms, six shall be  
833 appointed to four-year terms and six shall be appointed to five-year  
834 terms. A member may not serve more than two consecutive terms  
835 except that a member may continue to serve until a replacement is  
836 appointed.

837 (e) Members of the advisory council are eligible for compensation of  
838 \_\_\_\_.

839 (f) Nine members of the advisory council shall constitute a quorum.

840 (g) The advisory council shall annually choose one of its members to  
841 serve as chairperson for a one-year term. The advisory council may  
842 select other officers and designate their duties.

843 (h) The advisory council shall meet at least quarterly and may meet  
844 at other times at the call of the chairperson or the executive director of  
845 Nutmeg Health. The council shall be a public agency, as defined in  
846 section 1-200 of the general statutes.

847 (i) The advisory council shall:

848 (1) Convene a group of providers to provide input and advice to the  
849 council. The council shall invite members broadly representing  
850 providers. Members appointed pursuant to this subdivision shall serve  
851 without compensation except for necessary expenses incurred in the  
852 performance of their duties.

853 (2) Provide expertise in health care quality to assist the board;

854 (3) Advise and support the forum by:

855 (A) Establishing and monitoring, with Nutmeg Health, an annual  
856 work plan for the forum;

857 (B) Providing guidance in the adoption of quality and performance  
858 measures;

859 (C) Serving as a liaison between the forum and the provider group  
860 established in subdivision (1) of this subsection;

861 (D) Conducting public hearings and meetings; and

862 (E) Reviewing consumer education materials developed by the  
863 forum.

This act shall take effect as follows:	
Section 1	<i>July 1, 2005</i>
Sec. 2	<i>July 1, 2005</i>
Sec. 3	<i>July 1, 2005</i>

***Statement of Purpose:***

To establish a board to oversee and implement a program to provide universal health care.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*